

THE I/FAX



ADMINISTERED BY ILLINOIS STATE TREASURER ALEXI GIANNOULIAS

Contact us at www.treasurer.il.gov or 1-800-346-7414

AUGUST 2007

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Yesterday's Rates 8/20/07

Money Market Fund
4.176%
Prime Fund
5.225%

Public Investors' Fall Financial Symposium

September 20-21
Rosemont, IL

The Treasurer's Office will hold the Public Investors' Fall Financial Symposium at the Crowne Plaza Chicago O'Hare in Rosemont on September 20 and 21.

The various general and breakout sessions will cover a wide array of finance and accounting topics of interest to investors of public funds.

We are pleased to announce that Paul Green, of Roosevelt University, will be the special guest speaker during the lunch on Friday. From his numerous appearances and quotes in newspapers, TV, and radio, Professor Green is one of the most prolific observers of Illinois government today.

The State Treasurer's Office offers this symposium at no cost. Registration for the symposium is limited. For more information, call The Illinois Funds at (312) 814-8953. To register online, log on to: www.treasurer.il.gov/Education/Symposium.aspx.

M A R K E T P E R S P E C T I V E

As most of you are aware, the stock and bond markets have become extremely volatile in the past few weeks, reportedly due to a lack of liquidity in the overall market. Investors have lost favor with hedge funds and are cashing out their investments. This situation is primarily the result of the "sub-prime" mortgage fallout and could easily devolve into a vicious cycle of disinvestment until something breaks or cooler heads prevail. Until the final outcome can be determined, the Federal Reserve and central banks worldwide are adding reserves to the financial markets to help stabilize prices.

Hedge funds are major investors in "sub-prime" mortgages. These mortgages historically were targeted at a small number of less-than-favorable borrowers. In recent years however, with interest rates at historic lows, the number of sub-prime mortgages skyrocketed as many lenders recklessly pursued new customers by offering them loan products that they could not afford. This strategy has come back to haunt the industry because interest rates are rising at the same time that housing prices are falling. This has increased default rates, starting in the sub-prime market and appearing to spread to conventional markets as well.

This volatility affects the government bond markets in which the State Treas-

urer's Office invests the State Treasury. On days when stock markets drop precipitously, we see a "flight to quality;" investors take money out of the stock market and invest it in U.S. Government Bonds. The resulting demand forces bond prices up and bond yields down. As a result, the return on State Treasury investments also declines. However, we still continue to outperform our industry benchmarks.

Earlier we discussed two potential outcomes of the market anomaly that currently exists. Our belief is that cooler heads will prevail. However, prudence dictates that we be prepared for a less-than-favorable outcome. Economic indicators point toward a potential slowdown in the economy. This could be exasperated by the potential fallout from the hedge fund segment of the market. If this occurs, the Federal Reserve will be required to add even more cash to the market or cut interest rates. Our office is keeping a very close eye on the markets, and we are making the necessary adjustments to our portfolio every day, while continuing to maintain our goals of safety, liquidity and high returns. For more information on how our portfolio has performed versus comparable benchmarks, please visit our website at www.treasurer.il.gov and click on the "Investment News" or our "Finances" section.

New Office Website

In our continuing effort to serve you better, the Treasurer's Office has launched an improved website.

As of August 9, www.illinoifunds.com will connect you to a new Treasurer's Office homepage. You will need to follow an Illinois Funds link to arrive at the new Illinois Funds site. We suggest you bookmark this page for further use.

The new Illinois Funds homepage will continue to display our rates and link you to areas to update your account or conduct account transactions.

For access to the Online Transaction forms, click on Account Transactions. The changes to the site are cosmetic, so the functions of the site and its security remain intact.



Safety, Liquidity and Yield



Illinois Funds yields for the period ending 7/31/07

Money Market Fund (Daily Liquidity)

Prime Fund (7-day Liquidity) after 30-day minimum term

Net Portfolio Assets (in millions)	\$5,520	Net Portfolio Assets (in millions)	\$1,350
Monthly Investment Earnings (in 1000's)	\$24,404	Monthly Investment Earnings (in 1000's)	\$6,164
7 Day Yield*	5.15%	7 Day Yield*	5.25%
One Month Yield*	5.07%	One Month Yield*	5.22%
Net Asset Value (per share)	\$1.00	Net Asset Value (per share)	\$1.00
Weighted Average Maturity	2	Weighted Average Maturity	19

*Yield Net of Fees

*Yield Net of Fees

Monthly Public Sector Rate Comparison

The Illinois Funds, MMF	5.07%	The Illinois Funds, Prime	5.22%
S&P Govt Inv Pool-Govt Fund Index	5.04%	S&P Govt Inv Pool-Taxable Funds Index	5.14%
IL School Dist Liquid Asset	4.87%	IL School Dist Liquid Asset Max	5.02%
3 Month Treasury Bill	4.94%	3 Month Treasury Bill	4.94%
6 Month Treasury Bill	5.02%	6 Month Treasury Bill	5.02%

Monthly Private Sector Rate Comparison

The Illinois Funds, MMF	5.07%	The Illinois Funds, Prime	5.22%
IMoneyNet™ - Govt. Institutional	4.78%	Federated Govt Obligations	5.12%
Fidelity - 695 Treas Fund	5.00%	Fidelity - 57 Govt Fund	5.14%
Goldman Fin Sq Treas Fund - 468	4.97%	Goldman Fin Sq Govt Fund - 465	5.15%
30 Day Time Deposit	4.96%	90 Day Time Deposit	5.00%

FUND COMPOSITIONS

Money Market Fund

90.6% - Repurchase Agreements
 7.9% - Money Market Funds
 1.5% - Certificates of Deposit
 0.0% - Treasury Bills
 0.0% - Treasury Notes

Prime Fund

59.3% - Repurchase Agreements
 2.2% - Certificates of Deposit
 5.2% - US Government Agencies
 1.9% - Money Market Funds
 31.4% - Commercial Paper

E-Pay Account Rate

4.176% 8/20/07

1-866-831-5240

www.illinoisepay.com

Rapid Revenue Acct. Rate

4.176% 8/20/07

1-800-346-7414

Visit our website at www.treasurer.il.gov for further information.